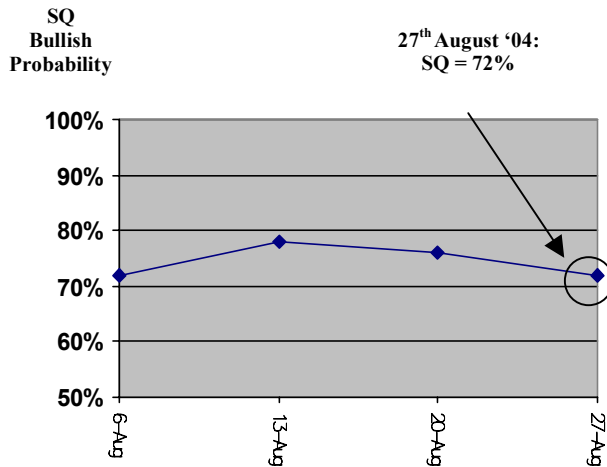
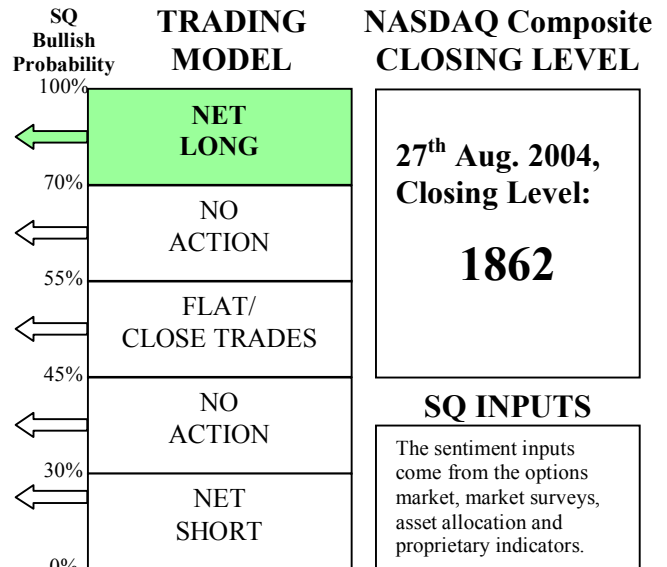


Swing Trading Bulletin

Issue 15,
Market Close,
27th August 2004



NOTE: "SQ" is a market timing system for contrarian "swing traders" (2 weeks to 4 months). It is 100% sentiment and probability based. A unique process of "scoring" various sentiment input indicators derives a bullish probability for the market - SQ. This activates the trading model (above right) at certain trigger points. Contact info@contraquant.com for further information.



Commentary

The last week saw a steady continuation of the bullish trend in place since we entered our current LONG trade at an average level of 1787. Whilst the NASDAQ Composite only moved up 1.3% on low volume, it is encouraging from a contrarian perspective that a large number of market participants remain on the sidelines. Indeed many remain unconvinced by this late summer recovery in technology shares and our SQ measure stays solidly above 70% despite a greater than 5% market recovery from lows hit earlier this month. This suggests that the current move has longer to run and we continue to hold our open position.

Trading Model Rules

All trades against the NASDAQ Composite or Rydex Velocity 100 Fund (200% leveraged against the NASDAQ 100) and executed either:

- Against the coming week's opening level of the Composite index or Rydex Velocity 100 Fund.
- Via limit/stop orders at a specified level as described in the prior week's report. For the Rydex Velocity 100 Fund trades are executed against the Fund's next day opening price after the trigger level specified on the NASDAQ Composite is touched. Zero transaction/trading costs assumed and no spread. No interest on cash balances.

Current Trades and Open Positions

Trades Executed Last Week:

NONE

Current Open Positions:

US\$600,000 LONG NASDAQ Composite at average of 1787 (entered on 6th and 16th August).
US\$421,922 in cash.

Current Pending Orders:

Limit Orders to Open LONG US\$100,000 @ 1780 and 1760. Limit Order to Open LONG Rydex Velocity 100 US\$100,000 @ 1670 and US\$121,922 @ 1640. Stop Order to Close Composite LONGs @ 1540, Stop Order to Close Rydex Velocity LONGs @ 1505.

New Trades: (Composite unless otherwise stated) Cancel all pending Rydex Velocity Limit and Stop Orders. Move Stop Order to Close NASDAQ Composite LONGs from 1540 to 1580.

Note: All stop and limit orders entered at the next market open on a "good until cancelled" basis; specified order levels correspond to the NASDAQ Composite. Cancellation can take place only within a report such as this. All trades executed at closest exact level (no fractions).

Performance to Date

Starting Capital: US\$1,000,000 (21st May 2004).

Returns to date of +2.2%. Performance will be measured again when 100% in cash.

1 Winning Closed Trade, 0 Losing Closed Trades.

Disclaimer: The timing signals and comments provided by ContraQuant Limited are for research and information purposes only, and should not be considered as investment advice. Descriptions of trading posture and trades simulate our own investment activity, and do not in any way infer that such actions are likely to be profitable. Reliance upon information provided by ContraQuant Limited is at your own risk, and we shall not be held liable for any loss due to posted timing signals and comments. Further, ContraQuant Limited is not registered with any association in any capacity to give investment advice. This document may not be reproduced nor copies circulated without prior authority.